

Do we have a friend in the White House?; Joe Biden insists we do, but evidence suggests otherwise

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Body

Canada-U.S. relations are once again at a critical inflection point as a large Canadian political and trade delegation left Capitol Hill Friday with nothing in hand.

No withdrawal of a proposed electric vehicle tax rebate that would profoundly hurt Canada's auto industry.

No movement on plans to double U.S. tariffs on Canadian softwood lumber.

No synchronizing of border measures against COVID-19 variants.

No change in a new dispute over whether Canada's potato exports are safe in the eyes of U.S. regulators.

The U.S. under President Joe Biden plans to build back better. It just plans to do it without any help from or favours to Canada, thanks.

Biden's newly named ambassador to Canada, David Cohen, arrived this week in Ottawa after nearly two years when the spot was effectively vacant after Donald Trump's envoy was picked to decamp for the UN.

But other than pleasantries issued by the embassy on Sussex Drive, Cohen declined interviews to talk about the state of the Canada-U.S. relationship.

It's probably just as well. Do we really need to hear him say things are tickety-boo, when they are clearly not?

Biden insists he's a friend to Canada, makes much of his first wife's Canadian origins, is grateful for Justin Trudeau's courtesy state dinner as the former vice-president was leaving office with Barack Obama in 2016. But now that he is U.S. president, he can't afford to let all that friendship stuff distract him.

Biden is facing midterm congressional elections next year, economic uncertainty amid the ongoing COVID-19 pandemic, the same inflationary pressures challenging Canada, and the possibility he might lose control of the political levers to get his agenda passed.

There are optimists in the Trudeau government that the cross-border relationship remains strong.

Public Safety Minister Marco Mendicino said in an interview that he came away from the Washington trilateral summit two weeks ago convinced that "it's a long and enduring relationship that I think is increasingly important given the various geopolitical dynamics which are in play around the world."

"The problem is that Canada is an afterthought for an administration that is focused on enormous challenges at home," says University of Ottawa professor Roland Paris, a former foreign policy adviser to Trudeau.

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Of all the current irritants, Paris says, the most alarming is the electrical vehicles tax credit, and the growing protectionist sentiment in U.S. political and public opinion.

The softwood lumber dispute is "a smouldering brush fire that started almost 40 years ago, it flares up periodically, and it has to be managed," he said. "But the electric vehicle credits are something quite different. They have the potential to do greater harm to the Canadian economy than anything that Trump did while he was in office."

Senior government officials agree.

When it comes to the risk to Canada's auto industry and this country's climate change aspirations, in the words of one official who spoke to the Star to provide background: "It doesn't get any bigger than that for us."

The official said, "The prime minister was pretty clear when he was in Washington that 'this is a big issue for Canada and me' because it really threatens the future of our auto industry. If we can't sell electric vehicles to the United States, we won't get any future investments," the senior official said.

Suddenly there's not much time left for Canada to persuade American lawmakers to expand or drop the planned preferential treatment for made-in-the-U.S., union-built electric vehicles that could collapse Canada's hopes to lure investment here for the nascent industry.

The tax credits come via two measures in the Democrats' Build Back Better bill that would provide up to \$12,500 in rebates for buyers of EVs built on U.S. soil, in unionized plants - two small line items in a massive legislative package that Democrats want to put to a potential vote as early as Dec. 13 before everyone heads home for Christmas.

It's all balled up in a \$1.75-trillion (U.S.) bill that will spend heavily to boost climate action programs and expand the social safety net, with billions for home care, preschool early learning, child care, health-care reform, housing initiatives and a ream of other priorities for Biden's Democrats.

Conservative MP Randy Hoback, part of International Trade Minister Mary Ng's delegation of business leaders, Opposition MPs and Canadian consuls-general blitzing American legislators this week, said the challenge for Canada is "domestic politics" in the U.S.

It's as simple, and as complicated, as that.

Hoback said Democrats are determined to push through the bill as is.

"They're saying ...'yeah, we get that there's a problem here with Canada. But we don't want to stop the momentum we have on this bill to address that because it's so important that we get the entirety of this bill through.'"

Republican senators signal they'll vote against the bill, says Hoback, but "not because they fundamentally see the idea that it's potentially a violation of NAFTA, or that potentially it goes against their sort of free trade legacy. It's more, they're just not gonna. It's domestic politics."

While abroad fighting the same fight alongside Ng, Hoback said he would not criticize the effort.

In an interview with the Star, Ng said, "They are hearing us, but there is certainly more work to be done. This isn't going to happen overnight." Ng hinted at a hardening approach.

So far Canada has not outright threatened to challenge the EV measure under the renegotiated NAFTA (or CUSMA, the Canada-U.S.-Mexico Agreement) or retaliate in any way, but Ng said she made clear that the U.S. is breaking trust, and Canada's government will "defend" Canadian interests.

"What I said to them was that this is a really important issue to Canada. It's a really important part of Canada's economy. And that ...we're going to ... defend our national interests here, and that this does go against the CUSMA obligations."

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Behind closed doors, there are other messages as well.

The senior government official said Canada has said "we'd rather be co-operating with them on things like critical minerals, which will be extremely difficult to deal with if we get shut out of the U.S. auto market."

Still there was little progress to report at week's end. Ottawa expects talks with U.S. regulators based on "science" will soon allay concerns about P.E.I. potatoes, and negotiations or litigation may resolve the latest softwood lumber round, as in the past.

Meanwhile, Canada's advocacy on the EV dispute will continue in earnest for the next few weeks.

Flavio Volpe, head of the Automotive Parts Manufacturers' Association of Canada, said in an interview as he left Washington late Friday part of the challenge for Canada's diplomatic advocacy is the Republicans didn't have a final copy of the bill, and the Democrats "wouldn't share details of a bill they're currently contemplating in a high-pressure environment."

However Volpe said the Americans now have "zero doubt about how important this is for us ... and how bad it is for the American auto industry as well."

Volpe attended several meetings with Ng as Hoback and others fanned out meeting different senators. They underlined not only how integrated the Canada-U.S. auto supply chains are, and how an incentive that stops investment in Canada will impact American producers who sell into Canada, but also how it will not do anything to stop non-unionized production or cheap imports.

If anything, automakers may migrate production to non-unionized states, pay cheaper labour costs, and eat the 2.5 per cent import tariffs on cheap steel and other parts from China in order to compete on price against the EV-tax-credit-boosted vehicles made by unionized labour in Michigan. That only gives a "head start" to China, said Volpe.

"What we made them understand is we're all competing against China," he added.

To Paris, Trudeau's former foreign policy adviser, none of it is a surprise.

"This is the world that we are facing, and Canada has to manage its relationship with a more protectionist United States."

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